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ABSTRACT

This digest discusses a contemporary rationale for decentralizing fiscal decisions through school-based budgeting (SBB). It comments on procedural, legal, and equity considerations; reviews several studies of SBB implementation in urban districts; and identifies emerging policy and research directions. The rationale behind SBB includes the finding that decentralizing four key resources (power, information, knowledge, and rewards) can enhance organizational effectiveness and productivity. Some of the implementations and obstacles to SBB include the time involved, fairness issues, and the need to enhance equity among schools. Recent studies paint a complex picture of SBB's promise and pitfalls. Some districts had a "broadened definition" of SBB and a high-involvement orientation, and some power was decentralized, but district and state constraints allowed schools little discretionary authority. However, a study of Chicago Public Schools showed that they achieved at least one reform goal--the reallocating of funds to reduce administrative bureaucracy and equalize interschool finance. Even so, other studies demonstrated that SBB provided no impetus for schools to do business differently and equity remained a problem. The digest suggests that clarity is needed about SBB's purpose and goal, and it cautions that only a weak link between SBB and school-based management has been found. (Includes 14 references.) (RJM)

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School-Based Budgeting

By Margaret Hadderman

School-based budgeting (SBB) is the facilitative arm of school-based management (SBM), which shifts decision-making responsibilities from the district office to principals, teachers, and community members.

As the public demands that schools be more productive and be held more accountable, a popular reform strategy is to give schools more authority over their budgets. Some experts believe that site-level budgeting has the potential to encourage innovation, enhance organizational effectiveness, and improve financial equity among schools (Wohlstetter and Van Kirk 1995).

What Has Changed Since 1991?

Earlier studies and syntheses, including an *ERIC Digest* published by this Clearinghouse in 1991 (Peterson), focused on interstaff power issues and preliminary organizational/procedural changes wrought by SBB. Relatively little was known about program design, effects, and implementation. Research from the mid-1990s onward considers these practicalities and explores necessary conditions for SBB to succeed (Goertz and Stiefel 1998; Wohlstetter and Van Kirk).

The following sections discuss a contemporary rationale for decentralizing fiscal decisions; comment on procedural, legal, and equity considerations; review several studies of SBB implementations in urban districts; and identify emerging policy and research directions.

What Is the Rationale for Switching to School-Based Budgeting?

Under a traditional, district-centered finance system, a school receives resources (teachers, textbooks, and transportation), but rarely money (Odden and others 1995). Critics of these systems have argued that standardized budget allocations hamper efforts to design specialized programs, lack incentives for staff improvement, inhibit the search for innovative instructional approaches, and stifle educator and parent involvement (Wagoner 1995).

Private-sector research shows that decentralizing four key resources (power, information, knowledge, and rewards) can enhance organizational effectiveness and productivity (Wohlstetter and Van Kirk). In an SBB context, say these researchers, highly involved schools need "real" power over the budget to decide how and where to allocate resources; they need fiscal and performance data for making informed decisions about the budget; their staff needs professional development and training to participate in the budget process; and the school must have control over compensation to reward performance.

Allan Odden and associates (1995) isolated two additional features of effective SBM/SBB programs: use of an "instructional guidance system" (a school mission statement and goal-achievement strategy) and a facilitative style of principal leadership.

Goertz and Stiefel say that lump-sum, decentralized budgeting allows schools to "determine the mix of professionals, spend or save money for substitute teachers and utilities," and carry over unused funds to the following year.

What Are Some Implementation Issues and Obstacles?

The SBB implementation process is arduous and time-consuming. Details must be worked out concerning appropriate decision-makers and procedures; the scope of decisions to be made at the site; staff training; accountability; resource distribution; and SBB implementation resources and time tables.

Practical strategies must also be developed for handling cash flow, risk management, interschool competition for resources, differing student needs, and varied school organizational characteristics (Picus 1999).

Legalities must also be considered. Augustina Reyes identifies four "legal implications for preserving due process and protecting civil rights and the national interest in decentralized settings" (1994). These include overseeing public tax dollars and preserving fiscal accountability; maintaining economies of scale and district efficiency; ensuring the integrity of categorical services; and avoiding personal liability problems.

Fairness is another important issue. As SFM/SBB becomes prevalent, with more schools allocating resources according to their own core values and programs, central-office referees may be needed to minimize disparities among schools (Polansky 1998). Central-office staff will need to define and limit roles, provide training, build consensus, promote inventory sharing, and assess resource management.

To enhance equity among schools, district staff can also take these steps recommended by Goertz and Stiefel: develop an integrated database for data on dollars, positions, outcomes, and demographics; clarify horizontal/vertical equity issues and funding mechanisms; and acknowledge thorny race, ethnicity, and location issues that may arise under SBB.

Are Schools Successfully Implementing SBB?

Several recent studies paint a complex picture of SBB's promise and pitfalls. As part of an international OERI study, Wohlstetter and Van Kirk examined exemplary SBB practices of eighteen schools in nine districts in Chicago; Denver; Milwaukee; Bellevue, Washington; Edmonton, Alberta (Canada); Jefferson County, Kentucky; Prince William County, Virginia; and Victoria, Australia.

Although these districts had a "broadened definition" of SBB and a high-involvement orientation, "there was still a gap between ideal and actual practices." Some power was decentralized, but district and state constraints allowed schools little discretionary authority. Information sharing was restricted by district political culture; staff development

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was fragmented; and reward structures played a marginal role. Researchers did note a "scaling up process occurring as districts were working to use school-based budgeting to help create high performance schools" (Wohlstetter and Van Kirk).

Alfred Hess (1995), executive director of the Chicago Panel, examined finance reform in the Chicago Public Schools from 1989 to 1993. Assisted by substantial new funding over five years, Chicago schools achieved one reform goal—reallocating funds to reduce administrative bureaucracy and equalize interschool finance. Schools with low-income students now have more resources and significantly greater discretion over choosing and providing programs.

A recent Mellon Foundation study of school-based budgeting in four large urban school systems (Chicago, Fort Worth, New York, and Rochester) came to more disappointing conclusions (Goertz and Stiefel). In all four cities, SBB occurs at the margins, since the district limits the schools' discretion to allocate funds and personnel (Goertz and Hess 1998).

SBB seemed to provide no "impetus for schools to do business differently," say Goertz and Stiefel. Monies were used in traditional ways—to reduce class size, expand social services, enrich art and music programs, and purchase equipment and materials—not for major program restructuring. Regardless of the participatory structures adopted, principals seemed to retain considerable power over expenditures.

Equity remains a problem. In all four districts, researchers found "a negative relationship between average teacher salaries and percentages of poor, and sometimes minority, students" (Stiefel and others 1998).

The Consortium for Policy Research in Education studied resource-allocation decisions at thirty-one elementary schools in eight states (California, Colorado, Florida, Kentucky, Maryland, Michigan, Minnesota, and Texas). The schools were using student-achievement data to decide how to use discretionary funds, whether for professional development or for allocation of new staff (Goertz and Duffy 1999).

Schools in the CPRE study tended to choose quantity over quality; they hired instructional aides to expand reading services in every classroom, instead of using certified teachers for intermittent, but more "expert" classroom coverage. Moreover, "schools with considerable budgetary authority generally used their resources in the same ways as schools with more limited flexibility" (Goertz and Duffy).

These studies suggest that the mere creation of formal SBB structures may not be a sufficient change to strengthen teacher and parent involvement. Limited access to budgeting information exacerbates the problem. So do sanctions imposed for poor performance. Also, deregulation and decentralization offer no guarantee that schools are meeting students' and taxpayers' needs (Goertz and Stiefel).

What Are Some Emerging Policy and Research Directions?

Clarity is needed about SBB's purpose and goals. According to one view, the improvement of school productivity (student achievement) by increasing participation and altering authority structures is SBB's primary aim (Peterson; Goertz and Stiefel). Others view decentralized budgeting as a strategy "to improve school funding by increasing revenues and reducing systemwide costs" (Chan 1997).

Researchers have found only a weak link between SBB/SBM implementations to date and improvements in student achievement (Odden and others). In the OERI study, the most successful implementations occurred in schools that were actively restructuring their curricula and instruction. More large-scale, comprehensive studies are needed to explore SBB/SBM's effects on student learning and performance. SBB's capacity-building possibilities should also be studied.

Inconclusive research and imperfectly implemented changes are only part of the problem. Odden and associates see a need for redesigning the entire school organization, particularly the finance system. One radical approach, employed in some charter schools and in New Zealand and Australia, is for states to provide lump-sum budgets to individual schools. Alternatively, districts might provide 85-90 percent of all general and categorical dollars to schools in a lump sum (Odden and others; Picus 1999).

Current research efforts concentrate on developing new school-level data-collection and financial-analysis models and examining the strengths and limitations of the varying uses of such data (Picus 1997).

Research into pay-for-performance initiatives, reallocation of teacher resources, and redesigned teacher compensation plans may also affect the future of decentralized school budgeting as a viable reform initiative.

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